

FISCAL NOTE

HB 809 - SB 675

March 4, 2003

SUMMARY OF BILL: Adds a definition that includes machinery used for research and development as industrial machinery. This would include such machinery in the sales tax exemption for industrial machinery.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$5,000,000

Decrease Local Govt. Revenues - Exceeds \$1,000,000

Estimate assumes:

- According to the National Science Foundation, research and development expenditures in Tennessee will be \$2,013,000,000 in 2004.
- Machinery related expenditures associated with this research and development are estimated to be \$72,600,000.
- The decrease in state revenue is calculated as \$72,600,000 X 7% = \$5,082,000. An additional increase of 2.75% would be applied to the amount between \$1,600 and \$3,200 for machinery whose purchase price exceeded \$1,600.
- The decrease in local govt. revenue is calculated as \$72,600,000 X 2.4% = \$1,742,400. However the cap of \$1,600 would reduce this amount.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director